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RETIREMENT SYSTEM
of the
STATE OF MONTANA
1963-1964
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NINETEENTH ANNUAL REPORT



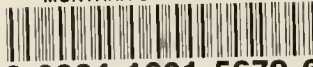
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November 5, 1964

Honorable Tim Babcock
Governor of Montana
State Capitol
Helena, Montana

Dear Governor Babcock:

The Board of Administration of the Public Employees' Retirement System of Montana herewith respectfully presents the Nineteenth Annual Report of its operations and progress for the fiscal year of 1963-64 in accordance with the provisions of Section 68-50 (c), Revised Codes of Montana, 1947.

During the nineteen years of its operation the retirement system has manifested a continual growth in assets due to the cumulative effect of the employer and employee contributions and the earnings derived from their investment. These have and are providing benefits which, when combined with the supplementary coverage provided by Social Security, have and are contributing appreciably in achieving the objectives of the retirement system which are: (1) to effect economy and efficiency in public service through retirement of superannuated or disabled public employees and (2) to provide such benefits as will in some measure reward deserving public employees for their appreciated service to the State of Montana and its member political subdivisions.

We appreciate this opportunity of being able to serve the State of Montana and its public employees by providing as complete benefits as are possible within the means of the retirement fund and the intent of the Public Employees' Retirement Act. We trust that we may continue to insure such benefits as will improve the personnel needs of the many departments of the State of Montana and its member political subdivisions.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

John F. Sasek, Secretary

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REPORT AS OF JUNE 30, 1964

For the Period Beginning July 1, 1963 and Ending June 30, 1964

BOARD OF ADMINISTRATION

	<u>Term Expires</u>	
FRED L. HILL, Great Falls.....	April 1, 1967.....	President
JACK D. SHANSTROM, Livingston.....	April 1, 1966.....	Vice-President
A. C. GRANDE, JR., Martinsdale.....	April 1, 1965.....	Member
MONS L. TEIGEN, Helena.....	April 1, 1969.....	Member
HUBERT G. WHITE, Townsend.....	April 1, 1968.....	Member
*MALCOLM BOWDEN, Helena		
**MRS. ELMER SCHYE, White Sulphur Springs		

ADMINISTRATIVE STAFF

JOHN F. SASEK.....	Secretary
EDWARD D. LITTLE.....	Chief Accountant
MICHAEL J. HUGHES.....	Attorney
FLOYD E. YOUNG.....	Consulting Actuary

* Term expired April 1, 1964.

** Resigned January 1, 1964.

SUMMARY OF OPERATIONS

(July 1, 1963 to June 30, 1964)

During fiscal 1963-64, contributions from employees were \$3,510,527.67 compared with \$3,305,016.18 for Fiscal 1962-63 or an increase of 5.85%. Employer's contributions for the same periods were \$1,748,272.29 and \$1,672,183.89, respectively, or an increase of 4.35%. Employer contributions for administrative expense were \$172,220.21 as compared with \$163,340.81 for the preceding year or an increase of 5.16%. Employee membership fees for the same periods were \$16,415.00 and \$16,063.00 respectively or an increase of 2.14%.

Interest earned and received totalled \$1,475,762.08 as compared with \$1,252,441.09 for fiscal 1962-63 or an increase of 15.13%.

Disbursements for benefits during the past fiscal year totalled \$2,426,898.31 compared with \$2,183,139.65 the previous year or an increase of 10.04%. During fiscal 1963-64 refunds to terminating employees totalled \$1,084,789.04 as compared with \$1,193,922.59 for the preceding year or a decrease of 9.14%. The actual number of refunds made decreased from 3,599 to 3,104 or a decrease of 13.75%.

Administrative expenditures during the fiscal year totalled \$88,792.48 as compared with \$92,570.59 for fiscal 1962-63 or a decrease of 4.08%.

The Retirement Fund increased from \$31,068,584.26 at June 30, 1963 to \$34,171,054.95 at June 30, 1964 for an increase of 9.08%. It must be remembered however, that the Public Employees' Retirement System is not on a full actuarial reserve basis. Every two years the Consulting Actuary determines the reserve requirements on an actuarial basis. Under the act establishing the System, the employers are obligated to contribute the amounts currently needed for the payment of benefits without regard for reserve requirements accruing or having accrued on an actuarial basis. This method of financing has resulted in a substantial deficiency in accumulation of reserves on an actuarial basis. The difference between reserve requirements on an actuarial basis and the reserves actually funded constitutes a deferred obligation of employers. The System's unfunded accrued liability at June 30, 1964, as computed by the Consulting Actuary, was \$13,958,016.39.

Membership in the Retirement System showed an increase over the preceding fiscal year. At June 30, 1964 net membership, including members and retirants, was 17,581 as compared with 17,173 one year ago or an increase of 2.32%.

The rate of interest being credited for benefit purposes was increased from 3 $\frac{1}{2}$ % to 4% during the past fiscal year. This interest is credited to an account only at the time of a benefit payment and is not refunded to terminating members who elect to withdraw their funds.

During the past year the Retirement System was able to dispose of the low yielding tax-exempt bonds in the portfolio and increase the holdings of top grade Public Utility Bonds and Railway Equipment Trust Certificates thereby improving the rate of return on the invested fund. The rate of return on investments for the past fiscal year was 4.15%.

Since the Montana Legislature meets every two years, with the next session in 1965, there are no legislative changes in the retirement program to report.

INCOME AND DISBURSEMENTS 1963-64
(Cash Basis)

Assets as of June 30, 1963.....		\$31,068,584.26
INCOME FOR YEAR ENDING JUNE 30, 1964		
Interest on Investments.....	\$ 1,475,762.08	
Employees' Contributions.....	3,510,527.67	
Employers' Contributions.....	1,748,272.29	
Contributions to Expense.....	188,635.21	
Appreciation Bond Write-up.....	5,800.00	
Discount Amortization.....	3,011.23	
TOTAL INCOME.....		\$ 6,932,008.48
BALANCE CARRIED FORWARD.....		\$38,000,592.74
DISBURSEMENTS FOR YEAR ENDING JUNE 30, 1964		
Benefit Disbursements:		
Retirement Payments—A.R.F.....	\$ 367,173.60	
Retirement Payments—P.A.F.....	1,210,990.90	
Ordinary Disability Payments—A.R.F.....	29,697.05	
Ordinary Disability Payments—P.A.F.....	124,861.72	
Industrial Disability Payments—A.R.F.....	19,217.61	
Industrial Disability Payments—P.A.F.....	238,469.41	
Survivorship Payments—A.R.F.....	20,991.78	
Survivorship Payments—P.A.F.....	69,454.62	
Death Payments—A.S.F. Refunds.....	200,357.17	
Death Payments—P.A.F.....	145,684.45	
Employee's Savings Refunds.....	1,084,769.04	
*Transfer of funds to Game Wardens' Retirement System.....	166,747.92	
TOTAL BENEFIT DISBURSEMENTS.....		\$ 3,678,435.27
Investment Disbursements:		
**Bank Service Charge.....	\$ 76,206.53	
Premium Charge Off—Bonds.....	5,308.50	
Interest Purchased on Investments.....	57,001.54	
TOTAL INVESTMENT DISBURSEMENTS.....		\$ 62,310.04
Disbursements for Administrative Expense:		
Salaries.....	\$ 63,342.05	
Legal and Actuarial Fees.....	4,585.71	
Travel Expense, Employees.....	2,917.35	
Travel Expense, Board Members.....	1,816.84	
Per Diem, Board Members.....	440.00	
Telephone and Telegraph.....	1,361.01	
Printing.....	2,022.71	
Postage.....	1,659.76	
Supplies.....	1,234.80	
Service Contracts.....	679.78	
Bonds.....	25.00	
Dues.....	50.00	
Medical and Investigation Expense.....	589.89	
Employee Benefits.....	4,350.18	
Equipment Rental.....	1,436.29	
Annual Examination—State Examiner.....	780.00	
Subscriptions and Periodicals.....	332.00	
Investment and Education Expense.....	443.60	
Depreciation—Furniture and Fixtures.....	725.51	
TOTAL ADMINISTRATIVE EXPENSE.....		\$ 88,792.48
TOTAL DISBURSEMENTS.....		\$ 3,829,537.79
BALANCE—June 30, 1964.....		\$34,171,054.95

* The 1963 Legislature provided for the establishment of a separate retirement system for Game Wardens and authorized the transfer of all funds held by the Public Employees' Retirement System.

** Bank Service Charge is not included in the total as this charge is withheld by the servicing agency before making remittance to the Retirement System.

COMPARISON CHART OF ASSETS AND DISBURSEMENTS

	1962-63	1963-64		Percentage of Change
Benefit Disbursements.....	\$ 3,380,404.63	\$ 3,511,687.35	Up	3.74%
Administrative Expense.....	92,570.59	88,792.48	Down	4.08%
Assets at end of year.....	31,068,584.26	34,171,054.95	Up	9.08%
Investments at end of year.....	30,768,241.13	33,509,947.22	Up	8.18%
Ratio of Administrative Expense to Assets.....	.002980%	.002598%	Down	.000382%
*Ratio of Administrative Expense to Total Expense.....	.0267%	.0247%	Down	.0020%

* The total expense figure does not include disbursements on investments as these are in part recoverable as accrued interest and the remainder are costs to earned interest income and are reflected in total yield from investments.

ASSETS AND LIABILITIES STATEMENT

LEDGER ASSETS:

*Cash.....	\$ 640,084.94
*Bonds, U. S. Government.....	7,414,885.62
*Bonds, Federal Land Bank.....	1,103,842.08
*Mutual Mortgage Insurance Fund Debentures.....	70,550.00
*Federal National Mortgage Assoc. Debs.....	648,612.23
*Railway Equipment Trust Certificates.....	520,073.50
*Bonds, Public Utility.....	7,611,303.43
**Mortgage Loans (V.A. and F.H.A.).....	16,140,152.61
**Registered Warrants.....	527.75
Furniture and Fixtures.....	21,022.79
TOTAL LEDGER ASSETS.....	\$34,171,054.95

NON-LEDGER ASSETS:

Accrued Interest.....	\$ 184,479.61
Present Value Future State Contribution.....	13,958,016.39
TOTAL NON-LEDGER ASSETS.....	\$14,142,496.00
TOTAL ASSETS.....	\$48,313,550.95

LEDGER LIABILITIES:

†Interest Account.....	\$
Employees' Savings Account.....	18,848,239.21
Employees' Annuity Reserve Fund.....	4,421,905.50
Pension Accumulation Fund.....	6,771,922.18
Expense Fund.....	
Annuity Savings Interest Reserve.....	4,128,988.06
TOTAL LEDGER LIABILITIES.....	\$34,171,054.95

NON-LEDGER LIABILITIES:

REQUIRED STATE RESERVE FOR PRIOR AND CREDITABLE SERVICE:

Life Insurance.....	\$ 92,698.00
‡Additional Pension Reserve: Pensions.....	6,686,006.00
Disabilities.....	399,371.00
Additional Reserve for Retirement: P.A.F.....	6,954,421.00
TOTAL NON-LEDGER LIABILITIES.....	\$14,142,496.00
TOTAL LIABILITIES.....	\$48,313,550.95

* On deposit with State Treasurer.

** Held in Retirement System Office.

†Distribution of Interest Account:

Transferred to the Reserve for interest required on Annuity Savings Fund.....	\$ 780,016.85
Transferred to A.R.F.	149,533.04
Transferred to P.A.F.	492,713.38
TOTAL TRANSFERRED.....	\$ 1,422,263.27

‡ This transfer was effected in accordance with the computations of the Consulting Actuary.

‡ Until such time as prior service is completely certified, the additional pension reserve for service pensions must necessarily be an approximation.

RECAPITULATION OF INVESTMENTS:

UNITED STATES GOVERNMENT BONDS:

	PAR VALUE	BOOK VALUE
Series A, 2.50%, 1965.....	\$ 250,000.00	\$ 250,000.00
Series G, 4.00%, 1969.....	100,000.00	100,000.00
Series J, 2.76%, 1966.....	200,000.00	184,200.00
Series K, 2.76%, 1964.....	200,000.00	200,000.00
Series K, 2.76%, 1965.....	185,000.00	185,000.00
Series K, 2.76%, 1966.....	200,000.00	200,000.00
Series K, 2.76%, 1967.....	200,000.00	200,000.00
Series 1963-68, 3.875%.....	735,000.00	734,672.06
Series 4%, 1969.....	60,000.00	59,918.73
Series 1975-85, 4.25%.....	90,000.00	90,156.10
Series 1978-83, 3.25%.....	2,607,000.00	2,590,658.07
Series 4%, 1980.....	420,000.00	416,438.99
Series 1987-92, 4.25%.....	246,000.00	251,181.27
Series 1990, 3.50%.....	1,040,000.00	991,660.40
Series 1995, 3.00%.....	961,000.00	961,000.00
TOTAL UNITED STATES GOVERNMENT BONDS.....	\$ 7,494,000.00	\$ 7,414,835.62

FEDERAL LAND BANK BONDS:

Series 1970, 5.125%.....	\$ 65,000.00	\$ 68,809.46
Series 1974, 4.50%.....	917,000.00	934,915.77
Series 1978, 4.125%.....	100,000.00	100,116.85
TOTAL FEDERAL LAND BANK BONDS.....	\$ 1,082,000.00	\$ 1,103,842.08

MUTUAL MORTGAGE INSURANCE FUND DEBENTURES:

1981, 4.125%.....	\$ 13,900.00	\$ 13,900.00
1983, 4.125%.....	56,650.00	56,650.00
TOTAL MUTUAL MORTGAGE INSURANCE FUND DEBENTURES.....	\$ 70,550.00	\$ 70,550.00

FEDERAL NATIONAL MORTGAGE ASSOCIATION DEBENTURES:

1977, 4.50%	\$ 622,000.00	\$ 648,612.23
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RAILWAY EQUIPMENT TRUST CERTIFICATES:

Great Northern R. R., 4.125%, 1973.....	\$ 25,000.00	\$ 24,507.50
Great Northern R. R., 4.125%, 1977.....	135,000.00	132,111.00
Northern Pacific R. R., 4.125%, 1976.....	75,000.00	73,155.00
Northern Pacific R. R., 4.125%, 1977.....	100,000.00	97,380.00
Southern Pacific R. R., 4% 1975.....	200,000.00	192,920.00
TOTAL RAILWAY EQUIPMENT TRUST CERTIFICATES.....	\$ 535,000.00	\$ 520,073.50

RECAPITULATION OF INVESTMENTS-Continued

PUBLIC UTILITY BONDS:	PAR VALUE	BOOK VALUE
American Telephone and Telegraph Co., 4.75%, 1993.....	\$ 100,000.00	\$ 106,692.91
American Telephone and Telegraph Co., 4.375%, 1999.....	431,000.00	434,116.01
Arkansas-Louisiana Gas Co., 4.375%, 1983.....	200,000.00	198,149.50
Atlantic City Electric Co., 4.375%, 1993.....	225,000.00	226,901.42
Commonwealth Edison Co., 4.25%, 1987.....	85,000.00	84,273.25
Commonwealth Edison Co., 4.625%, 1990.....	100,000.00	102,500.00
Commonwealth Edison Co., 4.625%, 1999.....	100,000.00	102,810.00
Consumers Power Co., 4.625%, 1989.....	40,000.00	41,268.17
Dallas Power and Light Co., 4.50%, 1989.....	100,000.00	100,900.00
Duke Power Co., 4.50%, 1992.....	200,000.00	204,160.00
Florida Power and Light Co., 4.625%, 1994.....	250,000.00	256,875.00
Idaho Power Co., 4.50%, 1988.....	100,000.00	101,200.00
Idaho Power Co., 4.50%, 1991.....	100,000.00	101,950.00
Indiana Bell Telephone Co., 4.375%, 2003.....	450,000.00	452,070.00
Indiana-Michigan Electric Co., 4.375%, 1993.....	215,000.00	215,258.00
Michigan Consolidated Gas Co., 4.50%, 1988.....	30,000.00	30,709.21
Montana Power Co., 2.875%, 1975.....	150,000.00	129,465.00
Montana Power Co., 4.50%, 1989.....	41,000.00	41,648.30
Mountain States Telephone Co., 4.375%, 1988.....	100,000.00	99,270.00
New England Telephone Co., 4.625%, 1999.....	100,000.00	102,750.00
New York Telephone Co., 4.625%, 1997.....	150,000.00	152,760.00
New York Telephone Co., 4.625%, 2002.....	65,000.00	66,209.00
New York Telephone Co., 4.625%, 2004.....	470,000.00	478,131.00
Northwestern Bell Telephone Co., 4.375%, 2003.....	175,000.00	178,010.00
Ohio Edison Co., 4.50%, 1989.....	50,000.00	50,745.00
Pacific Gas and Electric Co., 4.50%, 1996.....	100,000.00	100,730.00
Pacific Northwest Bell Telephone Co., 4.50%, 2000.....	281,000.00	281,000.00
Pacific Telephone Co., 3.25%, 1978.....	55,000.00	49,192.00
Philadelphia Electric Co., 4.50%, 1994.....	175,000.00	176,440.25
Potomac Edison Co., 4.625%, 1994.....	100,000.00	101,100.00
Potomac Electric Power Co., 4.375%, 1998.....	300,000.00	302,955.59
Public Service of Colorado, 4.625%, 1989.....	100,000.00	102,860.00
Public Service of Colorado, 4.50%, 1991.....	100,000.00	100,980.00
Southern Bell Telephone Co., 4.625%, 1993.....	200,000.00	206,380.00
Southern Bell Telephone Co., 4.375%, 2003.....	130,000.00	130,312.00
Southern California Edison Co., 4.375%, 1988.....	200,000.00	201,720.00
Southern California Edison Co., 4.375%, 1989.....	200,000.00	198,560.00
Southern California Gas Co., 4.375%, 1938.....	200,000.00	201,640.00
Southwestern Bell Telephone Co., 4.50%, 1997.....	135,000.00	138,685.50
Southwestern Electric Power Co., 4.375%, 1993.....	300,000.00	300,895.96
Southwestern Public Service Co., 4.50%, 1994.....	100,000.00	100,518.00
Texas Electric Service Co., 4.375%, 1993.....	300,000.00	302,957.36
Texas Power and Light Co., 4.50%, 1991.....	100,000.00	102,210.00
Union Electric Co., 4.50%, 1993.....	100,000.00	100,930.00
Virginia Electric and Power Co., 4.50%, 1993.....	100,000.00	101,070.00
Washington Water Power Co., 4.625%, 1991.....	200,000.00	200,000.00
Wisconsin Power and Light Co., 4.625%, 1999.....	50,000.00	51,345.00
TOTAL PUBLIC UTILITY BONDS.....	\$ 7,553,000.00	\$ 7,611,303.43

RECAPITULATION OF INVESTMENTS—Continued

	PAR VALUE	BOOK VALUE
REGISTERED WARRANTS:		
Glacier County, 4%.....	\$ 54.74	\$ 54.74
Ravalli County, 4%.....	94.21	94.21
Silver Bow County, 4%.....	378.80	378.80
TOTAL REGISTERED WARRANTS.....	\$ 527.75	\$ 527.75

MORTGAGES:

F.H.A. and V. A. Insured.....	\$16,140,152.61	\$16,140,152.61
TOTAL INVESTMENTS.....	\$33,497,230.36	\$33,509,947.22

As of June 30, 1964, cash on hand was \$640,084.94 of which \$565,084.94 was obligated for investments and benefit payments. A percentage accounting of investments is as follows: (Book Value).

Cash on Hand, Required Reserve.....	.2196%
Cash on Hand But Obligated For Investments and Benfit Payments.....	1.6547%
United States Government Bonds.....	21.7127%
Federal Land Bank Bonds.....	3.2323%
Mutual Mortgage Insurance Fund Debentures.....	.2066%
Federal National Mortgage Association Debentures.....	1.8993%
F.H.A. and V. A. Insured Mortgages.....	47.2625%
Public Utility Bonds.....	22.2878%
Registered Warrants.....	.0016%
Railway Equipment Trust Certificates.....	1.5229%
	100.0000%

ANALYSIS OF CHANGES IN INVESTMENTS

For the Fiscal Year Ended June 30, 1964

(Par Value)

INVESTMENT	Balance at Beginning of Year—7-1-63	Balance at End of Year—6-30-64	*Increase or Decrease
Treasury Bills.....	\$ 200,000.00	\$	\$ (200,000.00)
Bonds, U. S. Government.....	8,495,000.00	7,494,000.00	(1,001,000.00)
Bonds, Federal Land Bank.....	1,082,000.00	1,082,000.00	.....
Mutual Mortgage Insurance Fund Debs....	92,950.00	70,550.00	(22,400.00)
Federal National Mortgage Association Debentures.....	622,000.00	622,000.00	.....
Railway Equipment Trust Certificates.....	.....	535,000.00	535,000.00
Public Utility Bonds.....	1,695,000.00	7,553,000.00	5,858,000.00
Registered Warrants.....	17,522.47	527.75	(16,994.72)
Mortgages.....	14,726,812.14	16,140,152.61	1,413,340.47
Montana Municipal Bonds.....	3,910,050.00	.....	(3,910,050.00)
	\$30,841,334.61	\$33,497,230.36	\$ 2,655,895.75

* () Indicates a decrease.

RECAPITULATION OF MORTGAGES BY COUNTY AND TYPE

(June 30, 1964)

Counties:	F.H.A.	V.A.	Total
Beaverhead.....	\$ 89,254.02	\$ 8,347.72	\$ 97,601.74
Big Horn.....	115,347.57	7,919.40	123,266.97
Broadwater.....	111,229.72	7,910.88	119,140.60
Carbon.....	17,859.47	.....	17,859.47
Cascade.....	1,916,920.30	92,080.62	2,009,000.92
Choteau.....	.....	3,063.33	3,063.33
Custer.....	935,918.28	21,292.13	957,210.41
Daniels.....	38,410.12	.....	38,410.12
Dawson.....	732,583.03	216,754.62	949,337.65
Deer Lodge.....	593,310.21	29,889.54	623,199.75
Fallon.....	.....	93,825.73	93,825.73
Fergus.....	99,125.55	16,739.46	115,865.01
Flathead.....	182,766.98	46,962.41	229,729.39
Gallatin.....	1,109,806.88	54,684.13	1,164,491.01
Glacier.....	69,186.39	.....	69,186.39
Hill.....	425,223.92	56,213.78	481,437.70
Jefferson.....	13,976.57	.....	13,976.57
Lake.....	.....	9,628.69	9,628.69
Lewis and Clark.....	1,729,308.81	418,073.85	2,147,382.66
Liberty.....	14,362.98	.....	14,362.98
Lincoln.....	76,055.13	.....	76,055.13
McCone.....	91,683.37	.....	91,683.37
Madison.....	.....	3,746.48	3,746.48
Meagher.....	48,033.75	.....	48,033.75
Mineral.....	47,714.88	.....	47,714.88
Missoula.....	173,687.48	57,346.00	231,033.48
Musselshell.....	68,308.18	.....	68,308.18
Park.....	152,227.07	.....	152,227.07
Phillips.....	22,365.10	.....	22,365.10
Pondera.....	13,826.27	12,023.83	25,850.10
Powder River.....	11,223.71	.....	11,223.71
Powell.....	.....	11,092.68	11,092.68
Ravalli.....	20,063.40	.....	20,063.40
Richland.....	.....	17,199.66	17,199.66
Roosevelt.....	104,212.01	13,433.20	117,645.21
Rosebud.....	43,863.68	36,792.08	80,655.76
Sanders.....	145,085.64	.....	145,085.64
Sheridan.....	47,595.25	2,168.53	49,763.78
Silver Bow.....	552,677.30	12,467.41	565,144.71
Stillwater.....	13,811.20	.....	13,811.20
Sweet Grass.....	9,620.23	12,870.00	22,490.23
Toole.....	74,029.28	8,141.94	82,171.22
Treasure.....	669.36	.....	669.36
Valley.....	1,721,298.15	131,487.58	1,852,785.73
Wheatland.....	30,944.50	.....	30,944.50
Wibaux.....	83,994.80	.....	83,994.80
Yellowstone.....	1,605,623.86	1,384,792.53	2,990,416.39
TOTAL.....	\$13,353,204.40	\$ 2,766,948.21	\$16,140,152.61

COMPARISON, AT END OF FISCAL YEAR, OF RETIREMENT FUND

Assets as of 6-30-46.....	\$ 174,466.21
6-30-47.....	641,449.61
6-30-48.....	1,494,763.04
6-30-49.....	2,575,950.55
6-30-50.....	3,703,567.43
6-30-51.....	4,852,885.50
6-30-52.....	6,118,248.38
6-30-53.....	7,732,151.25
6-30-54.....	9,188,971.92
6-30-55.....	10,843,433.14
6-30-56.....	12,648,467.38
6-30-57.....	14,733,266.40
6-30-58.....	17,284,870.97
6-30-59.....	19,479,333.84
6-30-60.....	22,436,027.48
6-30-61.....	25,238,785.56
6-30-62.....	28,155,127.21
6-30-63.....	31,068,584.26
6-30-64.....	34,171,054.95

COMPARISON, BY FISCAL YEAR, OF BENEFITS PAID

7-1-45 to 6-30-46.....	\$
7-1-46 to 6-30-47.....	42,455.27
7-1-47 to 6-30-48.....	108,176.20
7-1-48 to 6-30-49.....	210,881.29
7-1-49 to 6-30-50.....	284,350.55
7-1-50 to 6-30-51.....	408,325.40
7-1-51 to 6-30-52.....	480,431.07
7-1-52 to 6-30-53.....	557,814.34
7-1-53 to 6-30-54.....	638,258.15
7-1-54 to 6-30-55.....	745,992.75
7-1-55 to 6-30-56.....	828,454.85
7-1-56 to 6-30-57.....	997,160.76
7-1-57 to 6-30-58.....	1,227,099.29
7-1-58 to 6-30-59.....	1,352,383.16
7-1-59 to 6-30-60.....	1,662,698.06
7-1-60 to 6-30-61.....	1,797,888.80
7-1-61 to 6-30-62.....	2,016,416.54
7-1-62 to 6-30-63.....	2,183,139.65
7-1-63 to 6-30-64.....	2,426,898.31

ANALYSIS OF CHANGES IN RESERVES, PUBLIC EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30, 1964

<u>Name of Fund</u>	<u>Balance at Beginning of Year</u>	<u>Income in Excess of Expenditures</u>	<u>Net Interest Distribution</u>	<u>*Net Transfers</u>	<u>Ending Balance</u>
Annuity Savings Fund.....	\$17,282,706.82	\$ 2,077,073.11	\$	\$ (511,540.72)	\$18,848,239.21
Annuity Reserve Fund.....	4,037,926.72	(438,181.81)	149,533.04	672,627.55	4,421,905.50
Pension Accumulation Fund.....	6,221,008.72	(49,445.52)	492,713.38	107,645.60	6,771,922.18
Expense Fund .....	.....	99,842.73	.....	(99,842.73)	.....
Annuity Savings Interest Reserve Fund	3,526,942.00	.....	780,016.85	(177,970.79)	4,128,988.06
	<u>\$31,068,584.26</u>	<u>\$ 1,689,288.51</u>	<u>\$ 1,422,263.27**</u>	<u>\$ (9,081.09)</u>	<u>\$34,171,054.95</u>

* Includes warrants cancelled and redeposited.

**Interest transferred in accordance with the computations of the Consulting Actuary.

) Indicates a subtraction.

BENEFIT INFORMATION

DEATH BENEFITS

Since the effective date of the Public Employees' Retirement System, July 1, 1945, death benefits have been paid to the beneficiaries of 1,082 members. Of this number, 980 claims were paid as lump sum payments and the remaining 102 were elected as monthly survivorship annuities by the beneficiaries. Five (5) beneficiaries who were receiving a monthly survivorship annuity were removed from the payment roll because of death. During the fiscal year of 1963-64, Seventy-nine (79) were deceased with 74 beneficiaries electing the lump sum payment and 5 beneficiaries electing the monthly survivorship annuities.

SERVICE RETIREMENTS

Since the effective date of July 1, 1945, 2,273 members have been retired under service retirement. One hundred thirty-six (136) of these service retirements were approved by the Board of Administration during the fiscal year of 1963-64. A total of 1,495 were still on service retirement at June 30, 1964, with 778 having been removed from the retirement roll by death or reinstatement.

DISABILITY RETIREMENTS

Since the effective date, July 1, 1945, 614 disability claims have been paid with 410 being the ordinary type disability and 204 the industrial type disability. During the fiscal year of 1963-64 the Board of Administration approved 20 ordinary disability allowances and 16 industrial disability allowances. A total of 154 were still receiving ordinary disability allowances and 147 industrial disability allowances at June 30, 1964 with 334 having been removed from the disability roll by death or reinstatement.

REFUNDS

During fiscal 1963-64 refund applications were processed for 3,104 terminating public employees compared with 3,599 for fiscal 1962-63 or a decrease of 13.75%.

MEMBERSHIP

The net membership at June 30, 1964, including members and retirants was 17,581 as compared with the net membership of 17,173 at June 30, 1963. This represents a net membership increase of 2.32%.

BENEFIT PAYMENTS

1. Age of Recipients at June 30, 1964—Member Retirant

Age Group	Retirements		Ordinary Disabilities		Industrial Disabilities	
	Male	Female	Male	Female	Male	Female
25-29.....				...	...	...
30-34.....				...	1	...
35-39.....				...	3	...
40-44.....				...	6	1
45-49.....				...	6	3
50-54.....				...	13	3
55-59.....				...	13	3
60-64.....				...	22	3
65-69.....				...	16	3
70-74.....				...	17	5
75-79.....				...	8	7
80-84.....				...	4	...
85-89.....				...	...	1
90-94.....				...	...	...
95-99.....				...	...	...
	1,074	341	88	45	109	29

Member retired and was still receiving benefit at June 30, 1964.

2. Age of Recipients at June 30, 1964—Survivorship Options

Age Group	Retirements		Ordinary Disabilities		Industrial Disabilities		Death Benefit Survivorships	
	Male	Female	Male	Female	Male	Female	Male	Female
25-29.....				...	...	...	...	...
30-34.....				...	...	...	...	...
35-39.....				...	...	...	...	...
40-44.....				...	...	...	...	1
45-49.....				...	...	...	...	3
50-54.....				...	...	...	...	4
55-59.....				...	...	...	2	22
60-64.....				...	...	...	...	18
65-69.....				...	...	...	...	15
70-74.....				...	...	...	2	13
75-79.....				...	...	...	...	11
80-84.....				...	...	...	...	6
85-89.....				...	...	...	...	...
90-94.....				...	...	...	...	...
	...	80	1	20	...	...	4	93

Benefit is being paid to the designated beneficiary due to the death of the member.

BENEFIT PAYMENTS

(at 6-30-64)

3. By Year Benefit Payment Started

Year Benefit Payment Started	Retirements	Death Benefits Survivorships	Ordinary Disabilities	Industrial Disabilities
From 7-1-1945.....	....	....	....	1
1946.....	....	....	1	....
1947.....	15	....	2	....
1948.....	23	....	5	1
1949.....	33	....	9	2
1950.....	34	....	4	4
1951.....	63	....	15	1
1952.....	47	....	5	6
1953.....	68	10	9	8
1954.....	51	10	8	6
1955.....	56	8	4	13
1956.....	95	13	6	6
1957.....	136	16	13	16
1958.....	111	3	2	7
1959.....	116	7	9	10
1960.....	134	8	12	11
1961.....	150	4	10	21
1962.....	150	10	14	18
1963.....	154	5	18	15
to 6-30 1964.....	59	3	8	1
	<u>1,495</u>	<u>97</u>	<u>154</u>	<u>147</u>

The above chart shows the year various type benefit payments started and were still being paid at June 30, 1964.

The above figures are for the original retirants, still living, as well as beneficiaries who are being paid an allowance, by option, upon the death of the original retirant. No figures are included for any retirants who died prior to June 30, 1964, and who made no provision for any monthly payment to a beneficiary by option.

4. LUMP SUM DEATH BENEFIT PAYMENTS

7-1-45 to 6-30-64

AGE AT DEATH	Male	Female	AGE AT DEATH	Male	Female
18.....	....	1	55.....	26	1
19.....	1	..	56.....	31	5
22.....	2		57.....	31	2
23.....	3	1	58.....	26	11
24.....	....	1	59.....	31	4
25.....	....	2	60.....	30	5
26.....	1	1	61.....	35	4
27.....	2	..	62.....	32	7
28.....	2	..	63.....	38	3
29.....	6	....	64.....	26	5
30.....	5	....	65.....	22	4
31.....	3	1	66.....	29	7
32.....	6	1	67.....	34	2
33.....	3	..	68.....	22	....
34.....	1	1	69.....	25	3
35.....	4	1	70.....	18	1
36.....	3	1	71.....	19	2
37.....	5	1	72.....	17	1
38.....	8	3	73.....	9	1
39.....	3	2	74.....	15	....
40.....	13	1	75.....	12	....
41.....	11	3	76.....	7	1
42.....	12	2	77.....	7	....
43.....	9	2	78.....	3	1
44.....	19	5	79.....	2	....
45.....	17	1	80.....	3	....
46.....	7	....	81.....	1	....
47.....	11	4	83.....	1	....
48.....	16	4	84.....	2	....
49.....	18	8	86.....	2	....
50.....	18	2	87.....	2	....
51.....	12	8	91.....	1	....
52.....	23	3		845	135
53.....	22	4			
54.....	20	1			

5. LOCATION OF BENEFIT RECIPIENTS

(at 6-30-64)

Alaska.....	2
Arizona.....	12
Arkansas.....	2
California.....	59
Colorado.....	5
Florida.....	4
Idaho.....	7
Illinois.....	1
Iowa.....	1
Kansas.....	1
Maryland.....	1
Minnesota.....	2
Missouri.....	5
Montana.....	1,683
Nebraska.....	2
Nevada.....	4
New Mexico.....	2
New York.....	1
North Carolina.....	1
North Dakota.....	2
Ohio.....	2
Oklahoma.....	1
Oregon.....	26
South Carolina.....	1
Texas.....	4
Utah.....	7
Virginia.....	1
Washington.....	46
Wisconsin.....	2
Wyoming.....	2
Washington D. C.....	1
Canada.....	1
England.....	1
Sweden.....	1
	1,893

6. WHERE BENEFIT RECIPIENTS CAME FROM

(at 6-30-64)

	<u>State Departments</u>	<u>Counties</u>	<u>Cities</u>	<u>School Districts</u>	<u>County High Schools</u>	<u>Other Agencies</u>	<u>Total</u>
Retirements	665	434	195	160	16	25	1,495
Death Benefit							
Survivorships	50	29	14	2	1	1	97
Ordinary Disabilities	77	46	20	9	1	1	154
Industrial Disabilities	73	36	25	8	2	3	147
	865	545	254	179	20	30	1,893

MEMBERSHIP

The System had a net increase in membership of 315 for Fiscal 1963-64.

MEMBERSHIP

Fiscal Year	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54
State Departments	1,677	2,864	3,242	3,285	3,731	4,312	4,763	5,088	5,211
Counties .....	....	67	1,129	1,348	1,460	1,748	1,980	2,264	2,487
Cities .....	....	203	488	610	712	762	822	1,005	1,146
School Districts .....	....	46	192	294	328	434	566	628	728
County High Schools.....	....	....	15	22	28	45	60	62	72
Other Agencies .....	....	50	64	84	99	98	103	111	164
Inactive Accounts .....	....	....	....	419	536	725	628	560	380
TOTAL	1,677	3,230	5,130	6,062	6,894	8,124	8,922	9,718	10,188

Fiscal Year	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
State Departments	5,654	6,774	8,002	8,329	9,030	8,332	8,000	7,833	8,146	8,248
Counties	2,625	3,987	3,816	4,614	4,184	3,915	3,855	3,669	3,815	3,893
Cities	1,206	1,322	1,546	1,847	1,904	1,794	1,808	1,695	1,654	1,691
School Districts	775	957	1,080	1,244	1,271	1,320	1,381	1,378	1,476	1,556
County High Schools.....	82	90	135	124	115	112	110	113	120	122
Other Agencies	160	163	186	213	204	202	195	186	171	178
Inactive Accounts	314	333	312	....	....	....	....	....	....	•
TOTAL	10,816	13,626	15,077	16,371	16,708	15,675	15,349	14,874	15,373	15,688

*Inactive accounts figure dropped to show only current membership.

**STATE DEPARTMENTS
AND CONTRACTING POLITICAL SUBDIVISIONS
OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Membership as of June 30, 1964

STATE DEPARTMENTS:

Adjusted Compensation Division.....	13	Law Library	2
Adjutant General	25	Legislature	4
Administration, Department of.....	48	Legislative Council	3
Aeronautics Commission	18	Library Extension Commission.....	12
Agriculture Department	129	Liquor Control Board.....	271
Apprenticeship Council	2	Livestock Commission	61
Attorney General	16	Livestock Sanitary Board.....	41
State Auditor	23	Merit System	5
Bank Examiners	28	Milk Control Board.....	7
State Board—Barber Examiners.....	1	School of Mines.....	69
Children's Center	67	Northern Montana College of Education...	41
Civil Defense	7	Nurses Examining Board.....	3
College, Montana State.....	767	Oil and Gas Conservation Commission.....	32
Cosmetology, Board of.....	2	Board of Pardons.....	13
Deaf and Blind School.....	20	Plumbing Examiners	1
Director of the Budget.....	4	Prison	217
District Judges	22	P. E. R. S.....	15
Eastern Montana College of Education.....	89	Public Institutions, Department of.....	6
State Engineer	12	Public Instruction	61
Entomologist	3	Public Welfare	318
Equalization, Board of.....	112	Railroad & Public Service Commission.....	24
Examiners, State Board of.....	4	Registrar of Motor Vehicles.....	71
Executive Secretary, University.....	5	Secretary of State.....	13
Fish and Game Department.....	156	Soil Conservation	2
Forestry Department	104	Soldiers' Home	23
Governor's Office	3	Supreme Court	14
Grass Conservation Board.....	1	Teachers' Retirement System.....	6
Hail Insurance	2	Territorial Centennial Commission.....	6
Board of Health.....	121	Trade Commission	2
Highway	2,753	Training School	236
Highway Patrol	76	Treasurer's Office	6
Historical Library	22	Tuberculosis Sanitarium	257
Home for the Aged.....	21	U. C. C.....	299
State Hospital	692	University	417
Indian Affairs	1	Veterans' Welfare Commission.....	25
Industrial Accident Board.....	52	Vocational Rehabilitation	32
Industrial School	79	Vocational School for Girls.....	37
Labor and Industry.....	4	Water Conservation Board.....	52
Land and Investments.....	19	Western Montana College of Education	20

STATE DEPARTMENT TOTAL..... 8,248

MEMBERSHIP STATUS

COUNTIES:

County Attorneys	22	Madison County	46
Beaverhead County	42	McCone County	32
Big Horn County.....	53	Meagher County	22
Blaine County	54	Missoula County	171
Broadwater County	31	Musselshell County	28
Carbon County	62	Park County	43
Carter County	27	Petroleum County	12
Cascade County	436	Phillips County	38
Chouteau County	65	Pondera County	54
Custer County	60	Powell County	44
Daniels County	33	Powder River County.....	21
Dawson County	50	Prairie County	25
Deer Lodge County.....	46	Ravalli County	58
Fallon County	28	Richland County	51
Fergus County	77	Roosevelt County	66
Flathead County	197	Rosebud County	50
Gallatin County	104	Sanders County	131
Garfield County	31	Sheridan County	40
Glacier County	48	Silver Bow County	326
Golden Valley County.....	15	Stillwater County	31
Granite County	45	Sweet Grass County.....	31
Hill County	77	Teton County	57
Jefferson County	36	Toole County	103
Judith Basin County.....	43	Treasure County	11
Lake County	74	Valley County	67
Lewis and Clark County.....	152	Wheatland County	19
Liberty County	82	Wibaux County	25
Lincoln County	61	Yellowstone County	235
		COUNTIES TOTAL	3,893

MEMBERSHIP STATUS

CITIES:

Anaconda	12	Hardin	29
Belt	4	Havre	69
Big Sandy	2	Helena	136
Billings	249	Kalispell	61
Bczeman	77	Laurel	36
Butte	133	Lavina	0
Cascade	4	Lewistown	28
Chinook	16	Libby	13
Choteau	17	Livingston	29
Circle	4	Malta	14
Columbia Falls	13	Miles City	43
Conrad	19	Missoula	103
Culbertson	4	Philipsburg	17
Cut Bank	13	Plains	3
Deer Lodge	15	Plentywood	9
Dillon	11	Polson	12
Dutton	3	Poplar	10
East Helena	7	Roundup	25
Fairfield	3	Ryegate	2
Fairview	5	Sidney	28
Forsyth	12	Stanford	3
Fort Benton	7	Townsend	5
Glasgow	33	Walkerville	2
Glendive	35	Whitefish	20
Great Falls	262	Winnett	2
Hamilton	19	Wolf Point	13

CITIES TOTAL 1,691

COUNTY HIGH SCHOOLS:

Beaverhead County High.....	15	Gallatin County High.....	0
Broadwater County High.....	3	Garfield County High.....	2
Carbon County High.....	0	Jefferson County High.....	3
Carter County High.....	2	Missoula County High.....	38
Custer County High.....	7	Park County High.....	7
Dawson County High.....	8	Powell County High.....	5
Fergus County High.....	8	Sweet Grass County High.....	6
Flathead County High.....	18		

COUNTY HIGH SCHOOLS TOTAL..... 122

OTHER AGENCIES:

Anaconda Housing Authority.....	6	Health District I.....	1
Billings Water Department.....	82	Helena Housing Authority.....	4
Bitterroot Irrigation Dist.....	15	Hill Co. Cemetery.....	3
Butte Housing Authority.....	7	Livingston Water Department.....	9
Fort Shaw Irrigation Dist.....	6	Malta—Dodson Irrigation	12
Great Falls Housing Authority.....	5	Richland County Housing Authority.....	3
Greenfield Irrigation Dist.....	25		

OTHER AGENCIES TOTAL..... 178

MEMBERSHIP STATUS

SCHOOL DISTRICTS:

No. 1 Big Timber	3	No. 10 Anaconda	43
No. 1 Butte	93	No. 10 Chinook	12
No. 1 Choteau	9	No. 10 Conrad	15
No. 1 Circle	8	No. 10 Dillon	3
No. 1 Corvallis	7	No. 10 Noxon	8
No. 1 Deer Lodge	13	No. 12 Klein	4
No. 1 Glendive	25	No. 12 Rosebud	7
No. 1 Great Falls	305	No. 12 Saco	6
No. 1 Havre	0	No. 12 Stanford	8
No. 1 Helena	66	No. 1 & 13 Box Elder	7
No. 1 Jordan	2	No. 13 Fairview	10
No. 1 Lewistown	27	No. 13 Nashua	12
No. 1 Miles City	10	No. 14 Chincok	1
No. 1 Missoula	41	No. 14 Malta	7
No. 1 Plains	3	No. 15 Custer	4
No. 1 Red Lodge	8	No. 15 Cut Bank	19
No. 1 Scobey	16	No. 15 Ekalaka	1
No. 1 Virginia City	4	No. 16 Havre	55
No. 2 Alberton	10	No. 17 Culbertson	6
No. 2 Billings	98	No. 17 Hardin	24
No. 2 Bridger	13	No. 19 Brady	5
No. 2 Brussett	1	No. 20 Plentywood	15
No. 2 Dodson	4	No. 21 Broadview	3
No. 2 Helena	1	No. 23 Polson	20
No. 2 Sunburst	10	No. 23 Roberts	8
No. 2 Thompson Falls	9	No. 24 Three Forks	7
No. 3 Cascade	11	No. 25 Hobson	7
No. 3 Hamilton	10	No. 27 Augusta	0
No. 3 Superior	4	No. 28 Ronan	24
No. 4 Forsyth	11	No. 29 Belt	7
No. 4 Livingston	10	No. 30 Power	12
No. 4 & 47 Whitehall	4	No. 33 Oilmont	8
No. 5 Basin	1	No. 38 Bigfork	5
No. 5 Kalispell	12	No. 39 Simms	11
No. 5 Park City	4	No. 41 Lavina	5
No. 5 Sand Coulee	3	No. 44 Belgrade	13
No. 5 Sheridan	7	No. 44 Moore	4
No. 5 Sidney	16	No. 44 Whitefish	6
No. 5 Terry	14	No. 45 Augusta	5
No. 6 Ryegate	3	No. 45 Wolf Point	19
No. 7 Bozeman	31	No. 50 East Glacier	2
No. 7 Hinsdale	8	No. 50 Hays	6
No. 7 Laurel	40	No. 52 Absarokee	5
No. 7 Townsend	4	No. 52 Ennis	12
No. 8 Jordan	1	No. 53 Wilsall	4
No. 9 Browning	39	No. 55 Brockton	12
No. 9 Chinook	0	No. 55 Roundup	10
No. 9 Darby	3	No. 58 Geyser	7
No. 9 Dixon	4	No. 64 Melstone	4
No. 9 Musselshell	6	No. 75 Greenfield	6
No. 9 Opheim	13	No. 159 Winnett	2

SCHOOL DISTRICTS TOTAL..... 1 556

ACTUARIAL STATEMENT

The Public Employees' Retirement System Board increased the interest rate to 4% on members' contributions to the Annuity Savings Fund. Two factors were largely responsible for this action. First, the liberalization of the investment law permitting investments in Public Utility Bonds rated A or better and second, the fact that all Tax Exempt Bonds with much lower yields were sold at a profit and the resulting proceeds reinvested in Public Utility Bonds with at least one per cent per year more income to the system.

No change was made in the reserve basis for retired members, as the increased yield on investments does not offset the greater life span of retired members.

A slight reduction in the contribution rates for the younger employees entering the Retirement System seemed justified and such reduced contribution rates have been adopted by the Board.

Currently, work is progressing on furnishing all members of the system with a statement of certified prior service. The actual graduated rates of withdrawal, disability retirement and deaths are also being calculated based on the five year statistics for fiscal years 1958 through 1963.

The results of this review when combined with the new interest assumption may reveal that a slight modification can be made in the amount of reserve necessary to have a fully actuarially reserved system.

Even though smaller reserves at the younger ages and duration of employment may be in order, salary scales having been increased has at the older ages resulted in less withdrawals. This in turn requires higher reserves for those reaching the optional retirement age of 60. The net result of the two opposite sets of forces will probably offset each other, resulting in very little if any in the present value of future state contributions required for a fully reserved system.

Floyd E. Young, Consulting Actuary
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATE LIBRARY COMMISSION
SOUTH AVE & MIDDLESEX
MISSOULA, MONTANA

STATE LIBRARY COMMISSION
SOUTH AVE. & MIDDLESEX
MISSOULA, MONTANA

